

Medicaid Expansion Policy Options

Modified Adjusted Gross Income (MAGI) Methodology

Vision

The Affordable Care Act (ACA) gives all States the opportunity to simplify medicaid eligibility determinations for children, parents, caretaker relatives and pregnant women by:

- Consolidating several existing mandatory and optional medicaid 'groups' for these individuals,
- Offering a new *optional* medicaid program for parents/caretaker relatives with income over 133% FPL, and
- Creating a new *mandatory* eligibility group for single adults and parents/caretaker relatives with income at/below 133% FPL.
 - (See **Appendix A** for a more detailed explanation of the new groups)

It is envisioned that eligibility will be determined using a streamlined, electronic application process using federal and state data-matching sources, minimizing human intervention and providing real-time Medicaid eligibility decisions.

Centers for Medicare & Medicaid Services (CMS) draft regulations require that States utilize a single methodology (MAGI) when determining medicaid eligible for anyone that falls into one of these new groups. The calculation of Modified Adjusted Gross Income (MAGI) closely mirrors how the IRS determines adjusted gross income for tax purposes. The MAGI income calculation will also be the basis upon which the State Exchange will rely on for the purposes of determining advance premium tax subsidy credits for individuals who do not qualify for medicaid.

Proposal

CMS recently provided draft guidance to assist States in determining an individual's countable income at the point of initial application for coverage. The dilemma is that while States will have access through the Federal data hub to last year's tax data (if the individual filed a tax return), that income information is outdated and may not reflect an individual's current circumstances. **CMS therefore requires that States make the medicaid determination based on the individual's current point in time income converted to a MAGI equivalent figure.** While States also currently have access to various state data sources regarding income, such as the ESD quarterly wage cross matches, again these data sources may be outdated and may not accurately reflect an individual's current circumstances.

Washington must give an individual the ability to compare their current income to the IRS data from their tax return, in a format which equates the calculation used by the IRS to produce the tax income data. We propose developing a **MAGI calculator** to convert current income to the modified adjusted gross income format required by CMS. This way an individual will be able to truthfully self-attest to a data driven calculation of their income. The calculator will consist of a

series of questions designed to mirror the income and deductions used on the IRS 1040 form. The questions would be designed so that individuals would only be prompted to answer additional information if they answered 'yes' to a question. For example, if a client answered yes to a question regarding self-employment, additional questions to gather data regarding that person's self-employment activities would be presented.

Transformation

Once an individual's or a family's point in time MAGI income is calculated, the State may make eligibility determinations by comparing the income to the federal tax data, or if not available, to State data sources. **It is anticipated that Washington will rely on the client's self-attestation of their income (as determined via the MAGI calculator) with little to no up-front paper documentation requirements.** Where income cannot be verified via electronic data sources, a post-eligibility audit process would occur. Upcoming policy briefs describe the proposed process for establishing reasonable compatibility and a vision for program integrity efforts.

Description of Issues and Risk

- It is critical that the Exchange vision for screening clients aligns with the medicaid process.
- Families currently eligible under the mandatory coverage of Section 1931 of the SSA (TANF/family medical recipients) are still eligible for transitional medical assistance (TMA) based on an increase in earned income or child support. Unless Congress allows TMA to sunset in 2013, provision will need to be made to capture this eligibility group which will be separate from the MAGI group.
- All current medicaid policy rules (Washington Administrative Code - WAC) will need to be reviewed and many will have to be re-written in a relatively short time frame – this creates staffing & workload issues on the HCA policy unit.
- Staff training to the new process and rules.
- Increased enrollment due to the new adult medical group. Work plan is dependent on decisions from CMS on ability to do targeted enrolment of certain groups already known to our ACES system.
- Accurate determination of FPL equivalency standards is critical to ensure 'no harm' to existing populations and also to ensure maximum Federal Medical Assistance Percentages (FMAP).

Moving Forward

Early adoption of some or all of these proposals is essential due to the constrained timelines for implementation (January 2014). IT business analysts and system architects are waiting on the outcome of these recommendations in order to do the programming necessary for both the Medicaid and the Healthcare Exchange eligibility and enrollment process.

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